

Debtors' Statement of Disputed Issues

EXHIBIT D

**DELPHI**



August 4, 2004

Mr. Stewart Taylor  
Mr. Mark Kuess  
Celestica  
Via email [Staylor@Celestica.com](mailto:Staylor@Celestica.com)  
[Mkuess@Celestica.com](mailto:Mkuess@Celestica.com)

Gentlemen,

I am writing this letter in response to your summary dated August 2, 2004 and received today regarding the current situation on the Matchbox program. I agree that it is important as you state in your note to be sure that both of our companies are on the same page regarding the status and costs of this program.

Delphi is extremely disappointed and concerned with the approach that Celestica has taken regarding the changes to the original commitments that were made on this program. What started out as a very promising arrangement between our organizations has the potential to become a major short fall in the commitments being made by Delphi to our customers and investors.

Delphi has been consistent regarding the expectations for this program. Celestica had over 2 entire months of preparation time leading up to the program workshop held on May 26<sup>th</sup> and 27<sup>th</sup> of this year. There is absolutely no validity to the statements in your letter regarding challenges not being identified until the kick off meeting with our team. As documented, almost the entire meeting was spent working through risks and opportunities for the program that were identified well in advance of the meeting by both of our organizations.

Celestica had repeatedly informed our team that the costs being presented by your organization were "conservative" and that "these costs represent the worst case". We are now finding out that your quote was basically of no value. In fact this quote has put an important piece of Delphi business in jeopardy.

- The BoM cost has increased over 20% from the award of the program. This increase is with a significant content removal from the product both in terms of cosmetics and functionality.
  - Removal of the AM functionality from the product
  - Removal of the metallic case
  - Change to the LCD color to address cost
- Your proposed MVA is up considerably from the quoted 20% with no explanation other than your initial quote assumptions were incorrect.
- In addition to the significant miss in both BoM and MVA you have requested an additional \$343,000 of investment or an over 100% increase.

These are not minor corrections or changes to a budgetary quote; these are significant misses in all aspects of the program that cannot be reasonably justified. The arguments being provided by Celestica regarding the reasons for this problem simply are not acceptable.

It is now clear that Celestica did not provide the proper level of consideration to this product leading up to your quote commitment. If our organizations are going to be successful at any level with this product, we need to start with Celestica's acceptance of the responsibility for this fact. The only thing that your proposal dated August 2, 2004 attempts to do is pass along the costs associated with

the underestimation of the program to Delphi. Where in your proposal does Celestica accept any responsibility for where the program is today in terms of cost and timing?

Delphi's approach to the current cost issuer remains consistent to the original quoted agreement and is as follows:

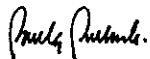
Final BOM cost (08/24/04 as an example).	58.15
Less carrying case (removed for program cost issues)	2.07
<i>Less Headphones with 4% mark up for handling etc</i>	<i>16.44</i>
	<b>39.63</b>
20% quoted MVA	7.93
Total	<b>47.56</b>
Amortization of originally committed investment (\$307,000 total / 150,000 pieces)	1.19
<i>Add back in Headphones</i>	<i>16.44</i>
<b>Sell Price ex works Monterey</b>	<b>\$65.19</b>

This summary still does not meet our requirements for a business case, but it is an attempt to retain consistency between what our agreement was at the time of the kick off and today. This cost structure requires that Celestica accept responsibility for the significant miss to their original commitments by accepting a lower profit margin. Unfortunately this solution also significantly penalizes Delphi for Celestica's inadequate proposal at the time of kick off. This scenario will also allow Celestica to continue to be considered for future work both with DPSS and other Delphi divisions.

Pricing for this product is a very major concern, but as stated throughout the launch to date, timing is also very critical. Celestica must assure Delphi that the proper levels of resources are being dedicated to the launch of this product on time. Anything short of a Christmas 04 launch of this product will not be acceptable to our customer base.

Delphi is excited about the potential that exists between our organizations. The situation currently on the Matchbox program is certainly challenging, and it is our opinion that this proposal is a reasonable approach to this challenge. Delphi expects that Celestica will step up to the responsibilities of a true partnership and respond with an acceptance to this proposal.

Sincerely,



Paul G. Pollack  
Global Supply Management  
Delphi Product and Service Solutions

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